



Order 2002-3-29

Served: April 3, 2002

**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 29th day of March, 2002

Essential air service at

**DODGE CITY, KANSAS  
GARDEN CITY, KANSAS  
GREAT BEND, KANSAS  
HAYS, KANSAS  
LIBERAL, KANSAS**

**Docket OST-1998-3502 -10  
Docket OST-1998-3503 -8  
Docket OST-1998-3496 -7  
Docket OST-1998-3497 -16  
Docket OST-1998-3498 -8**

under 49 U.S.C. 41731 *et seq.*

**ORDER TO SHOW CAUSE  
TENTATIVELY RESELECTING CARRIERS  
AND ESTABLISHING NEW SUBSIDY RATES**

**Summary**

By this order, the Department is tentatively reselecting Air Midwest, Inc., d/b/a US Airways Express, and Great Lakes Aviation, Ltd., to provide essential air service at the five western Kansas communities listed above for the two-year period beginning October 1, 2001, at annualized subsidy rates for both carriers combined of \$5,454,914 for the first 6 months and \$4,774,171 for the following 18 months. The order also provides for objections or competing proposals from other interested carriers.

**Background**

By Order 2000-10-21, October 19, 2000, the Department selected Air Midwest, Inc., d/b/a US Airways Express, to provide subsidized essential air service at four western Kansas communities through September 30, 2001, by operating 12 Dodge City-Garden City-Kansas City and 12 Great Bend-Hays-Kansas City round trips a week with 19-seat Beech 1900 aircraft at subsidy rates totaling \$605,800 annually.<sup>1</sup>

Earlier, by Orders 2000-2-18, February 14, 2000, and 2000-6-14, June 19, 2000, the Department selected Great Lakes Aviation, Ltd., to provide subsidized essential air service at four western Kansas communities through September 30, 2001. Specifically, Great Lakes was selected to operate 13 Dodge City-Liberal-Denver, 5 Liberal-Garden City-Denver, 13 Garden City-Denver and 18 Hays-Denver round trips a week with 19-seat Beech 1900 aircraft at subsidy rates totaling

<sup>1</sup> See Appendix A for a map.

\$2,686,218 annually.<sup>2</sup> In October 2001, however, Great Lakes reduced its service at Hays to 13 round trips a week.<sup>3</sup>

Under our normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Air Midwest's parent company, Mesa Air Group, Inc., as well as Great Lakes to submit proposals for the continuation of their services at the communities beginning October 1, 2001. In the meantime, by Order 2001-10-17, October 31, 2001, the Department extended both carriers' subsidy rates as interim rates beyond September 30, 2001, pending the establishment of new final rates here.

### **Carrier Proposals**

Both Mesa, on behalf of Air Midwest, and Great Lakes have submitted proposals for a new two-year rate term beginning October 1, 2001. As a result of discussions with Department staff, Mesa has agreed to a continuation of its current services at new subsidy rates totaling \$1,267,819 annually.

For its part, Great Lakes has agreed to subsidy for its current services for the first six months of the new rate term, through March 31, 2002, totaling \$4,187,095 on an annualized basis, consisting of \$3,116,918 for Dodge City, Garden City and Liberal, and \$1,070,177 for Hays. For the remaining 18 months of the term, through September 30, 2003, Great Lakes has generally agreed to a continuation of its current services with the exception of Hays, where it proposes either of two options. Under Option A, Great Lakes would continue operating 13 Hays-Denver round trips a week at an annualized subsidy of \$1,032,025; under Option B, the carrier would operate 18 Hays-Denver round trips a week at an annualized subsidy of \$1,345,307. The proposed subsidy rates for Great Lakes' services at Dodge City, Garden City and Liberal for the 18-month period amount to \$2,474,327 on an annualized basis; consequently, the total

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<sup>2</sup> Orders 2000-2-18 and 2000-6-14 also terminated subsidy for Great Lakes' services from Great Bend and Goodland, Kansas, and Lamar, Colorado, to Denver. In addition, we have traditionally subsidized two round trips a day between Hays and Denver. However, Great Lakes proposed serving the community on a Salina-Hays-Denver routing with revenues at Salina, whose service to Denver was unsubsidized, slightly exceeding the cost of operating the Salina-Hays segment. Consequently, Great Lakes offered to operate three Salina-Hays-Denver round trips a day at a subsidy of \$739,444 a year as opposed to operating two Hays-Denver round trips a day at a subsidy of \$778,183 a year, thus enabling us to support more service at Hays at a lower subsidy rate.

<sup>3</sup> Great Lakes discontinued service at Salina in October 2001; see Order 2001-8-6, August 3, 2001. In view of the changed circumstances, we stated in Order 2001-10-17 that we were not prepared to authorize a continuation of three round trips a day at Hays alone for the interim period, but would consider the issue here, where we are establishing final rates for Great Lakes' service.

annualized rates for Great Lakes' services at all four communities would be either \$3,506,352 under Option A or \$3,819,634 under Option B. In support of the higher service level contained in Option B, Great Lakes states that traffic at Hays responded positively when the community was receiving three round trips a day, and that two round trips a day represents a major step backward in the development of the market.

### **Community Comments**

The Ellis County Coalition for Economic Development has submitted comments on behalf of the City of Hays, the Hays Regional Airport and the Fly Hays Committee in support of Great Lakes' Option B. The community states that scheduled air service is extremely important to the area, and ridership has grown steadily over the years as a result of local promotional efforts and a positive relationship with the carriers. The community believes that stable, predictable service is important to maintain ridership, and that reverting to two round trips a day would be harmful to the market. The Mayor of Hays, the Interim City Manager of Hays, Kansas State Representative Eber Phelps, the Hays Medical Center, the Heart Institute of Kansas, and Mooretours International, Inc., have submitted similar comments.

### **Tentative Decision**

After a thorough review of the carriers' proposals and their recent service histories, we have tentatively decided to select the carriers to continue providing essential air service for the two-year period beginning October 1, 2001, at the agreed subsidy rates. In doing so, we are also selecting Great Lakes' Option A for Hays, and thus authorizing 13 Hays-Denver round trips a week rather than 18. The rates appear reasonable for the services at issue and the carriers' performances continue to be satisfactory.<sup>4</sup>

In particular, we are here continuing to authorize subsidy to support service to two hubs for Dodge City, Garden City and Hays. Our analysis indicates that the current service patterns in western Kansas, including the three communities' dual-hub services, cost little more in subsidy than if all the communities received three round trips a day to a single hub. If that situation should change in the future, we will reassess our continuing authorization of subsidy for two hubs at any or all of the communities.

Regarding our decision on service at Hays, we greatly appreciate the Hays community's efforts to promote the services available at its airport; the community's participation in the essential air service program over the years has been exemplary. However, we have explained since the inception of the program that it is not intended to provide all the air service a community wants. Rather, essential air service is the level of service that the government should guarantee to ensure that a community will have access to the national air transportation system.<sup>5</sup> As things already stand, Hays is one of just three communities, out of more than 70 in the lower 48 states, where

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<sup>4</sup> Appendix B contains details of Air Midwest's compensation requirements, and Appendix C contains similar information for Great Lakes.

<sup>5</sup> See 44 FR 52647 (September 7, 1979).

we are continuing to subsidize service to a second hub.<sup>6</sup> Hays's service of two round trips a day to both Kansas City and Denver is thus well above the program norm of three round trips a day to a single hub. Our subsidizing a third round trip a day to Denver would thus represent as much service from Hays to *one* of its two hubs as we support from most communities to their *only* hub -- and in some cases more.

Our review of traffic data does not indicate that additional service to Denver is necessary to accommodate demand at Hays. If that were in fact the case, Great Lakes might provide additional service without subsidy as a matter of self-interest. Rather, traffic data for the 12 months ended June 30, 2001, show that Hays averaged 16.0 enplanements a day to Denver with the three round trips shared with Salina.<sup>7</sup> Two round trips a day with 19-seat aircraft -- 38 seats in each direction devoted entirely to Hays -- easily accommodate that level of traffic.<sup>8</sup>

We are here authorizing subsidy increases of nearly \$1.5 million a year in order to preserve traditional service levels at the five western Kansas communities. Of that amount, about \$293,000 is attributable to the Hays-Denver route and \$261,000 to the Hays-Great Bend-Kansas City route. But we are not persuaded of the necessity to spend a further \$313,000 a year at Hays to increase its service beyond a level that already accommodates recent traffic levels and fully meets the community's essential air service requirements.

### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Air Midwest fit by Order 2001-8-13, August 10, 2001, in connection with its essential air service at Topeka, Kansas, and last found Great Lakes fit by Order 2001-9-11, September 17, 2001, in connection with its essential air service at Devils Lake and Jamestown, North Dakota, and Brookings, South Dakota. Since then, the Department has routinely monitored the carriers' continuing fitness, and no information has come to our attention that would lead us to question their ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Air Midwest and Great Lakes continue to have available adequate financial and managerial resources to provide quality service at the communities at issue here, and that they continue to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carriers are conducting their operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Air Midwest and Great Lakes remain fit.

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<sup>6</sup> The others, of course, are Garden City and Dodge City.

<sup>7</sup> See Appendix D for recent traffic data at all five communities. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 weekdays and weekends a year.

<sup>8</sup> We have chosen the 12 months ended June 30 of last year in order to consider Hays's traffic in the best possible light: the community received three round trips a day throughout the period, which preceded the terrorist attacks of September 11.

### **Responses to Tentative Decision**

As usual, we will allow interested parties 20 days from the date of this order to object to our decision or to file objections or competing proposals. If no timely objections or competing proposals are filed, this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbents, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that would provide service at levels commensurate with those tentatively selected here with twin-engine aircraft operated by two pilots.

### **Service History and Traffic Data**

Air Midwest has served the communities for many years, first independently and, since 1991, as a subsidiary of Mesa. Great Lakes has been operating the communities' services to Denver since April 1998, when it replaced Mesa on the routes to Denver.<sup>9</sup> During calendar year 2001, Dodge City averaged 12.0 enplanements a day (5.9 to Denver and 6.1 to Kansas City), Garden City 27.2 enplanements a day (17.7 to Denver and 9.5 to Kansas City), Great Bend 3.6 enplanements a day, Hays 21.6 enplanements a day (13.1 to Denver and 8.5 to Kansas City), and Liberal 8.8 enplanements a day. On a composite basis, traffic at the five communities during 2001 declined by 20.5 percent from calendar year 2000. However, most of the losses occurred following the September 11 terrorist attacks. During the final quarter of 2001, traffic was 43.9 percent below the final quarter of 2000, whereas a comparison of traffic levels during the first three quarters of each year shows a decline in 2001 of 10.4 percent.

### **Procedures for Filing Competitive Proposals**

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating

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<sup>9</sup> A more detailed account of the communities' services during the past decade can be found in Order 2000-2-18, Appendix C.

compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>10</sup> Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

### **Community and State Comments**

If we receive competing proposals, the communities and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.<sup>11</sup>

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<sup>10</sup> The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 - Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

<sup>11</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. We tentatively reselect Air Midwest, Inc., d/b/a US Airways Express, to provide essential air service at Dodge City, Garden City, Great Bend and Hays, Kansas, as described in Appendix E, for the period from October 1, 2001, through September 30, 2003;
2. We tentatively reselect Great Lakes Aviation, Ltd., to provide essential air service at Dodge City, Garden City, Hays and Liberal, Kansas, as described in Appendix F, for the period from October 1, 2001, through September 30, 2003;
3. We tentatively set the final rates of compensation for Air Midwest, Inc., d/b/a US Airways Express, for the provision of essential air service at Dodge City, Garden City, Great Bend and Hays, Kansas, described in Appendix E, for the period from October 1, 2001, through September 30, 2003, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix E, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:<sup>12</sup>

Dodge City and Garden City	\$273.11
Great Bend and Hays	\$243.52

4. We tentatively set the final rates of compensation for Great Lakes Aviation, Ltd., for the provision of essential air service at Dodge City, Garden City, Hays and Liberal, Kansas, as described in Appendix F, for the period from October 1, 2001, through September 30, 2003, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix F, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:<sup>13</sup>

	<u>October 1, 2001- March 31, 2002</u>	<u>April 1, 2002- September 30, 2003</u>
Dodge City, Garden City and Liberal	\$641.87	\$509.54
Hays	\$830.88	\$801.26

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<sup>12</sup> See Appendix E for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of these rates may be required.

<sup>13</sup> See Appendix F for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of these rates may be required.

5. These rates are in lieu of, not in addition to, those established by Order 2001-10-17, October 31, 2001;
6. We direct Air Midwest, Inc., d/b/a US Airways Express, and Great Lakes Aviation, Ltd., to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carriers may forfeit their compensation for any claim that is not supported under the terms of this order;
7. We find that Air Midwest, Inc., d/b/a US Airways Express, and Great Lakes Aviation, Ltd., continue to be fit, willing and able to operate as commuter air carriers and capable of providing reliable essential air service at Dodge City, Garden City, Great Bend, Hays and Liberal, Kansas;
8. We direct any interested persons having objections to the selection of Air Midwest and Great Lakes to provide essential air service as described in ordering paragraphs 1 and 2 above, at the rates set forth in ordering paragraphs 3 and 4 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;<sup>14</sup>
9. If we receive objections or competing proposals within the 20-day period, Air Midwest and Great Lakes will be compensated at the subsidy rates set forth in ordering paragraphs 3 and 4 above as final rates until all objections are resolved;
10. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.<sup>15</sup> If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;
11. These dockets will remain open until further order of the Department; and
12. We will serve copies of this order on the mayors and airport managers of Dodge City, Garden City, Great Bend, Hays and Liberal, Kansas; Mesa Air Group, Inc., d/b/a US Airways

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<sup>14</sup> Objections should be filed with the Documentary Services and Media Management Division, SVC-124, Room PL-401, Department of Transportation, 400 7th Street S.W., Washington DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany at (202) 366-1061.

<sup>15</sup> Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.



Express; Great Lakes Aviation, Ltd.; the Ellis County Coalition for Economic Development; the Office of the City Attorney for Dodge City; and the persons listed in Appendix G.

By:

**READ C. VAN DE WATER**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

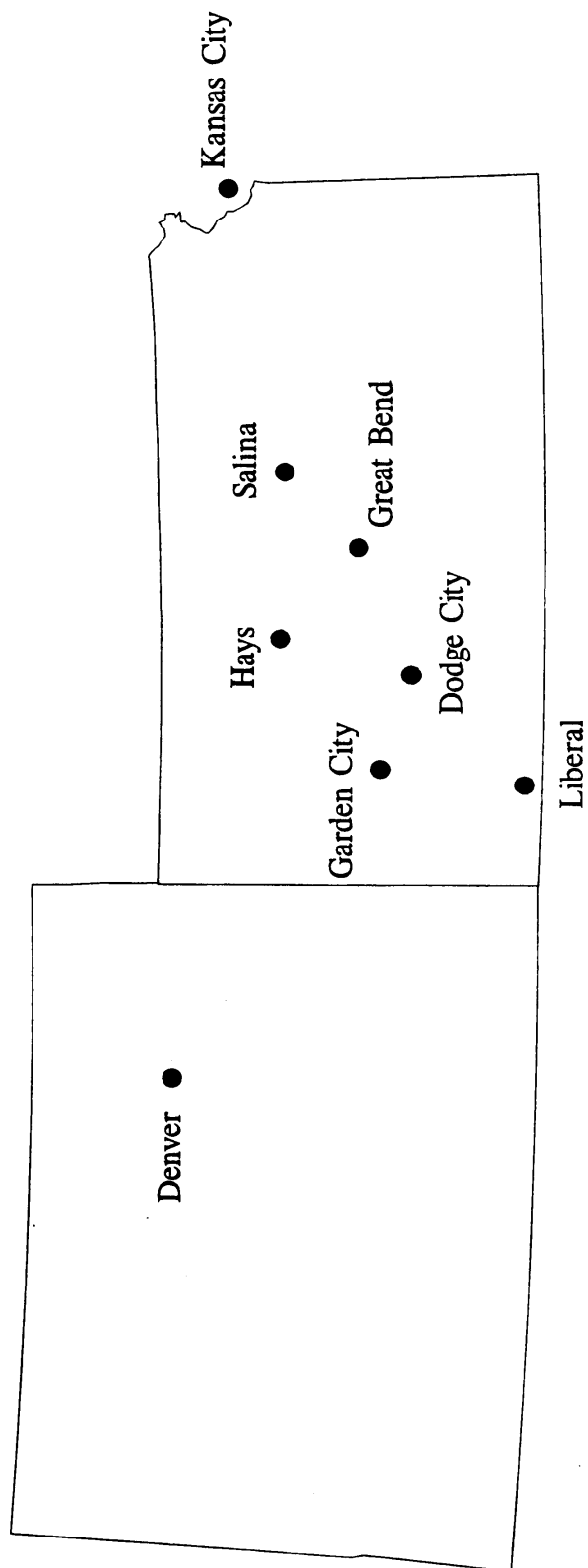
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# SERVICE LIST FOR THE STATE OF KANSAS

Air Midwest, Inc.  
 Amerijet International, Inc.  
 Aspen Airways, Inc.  
 Blue Ridge Airlines  
 Corporate Airlines, Inc.  
 Delta Connection  
 Exec Express II, Inc.  
 Executive Airlines, Inc.  
 Flagship Airlines Inc.  
 Heartland Aviation, Inc.  
 Lone Star Airlines, Inc.  
 Mesa Airlines, Inc.  
 Metroflight, Inc.  
 Midway Airlines, Inc.  
 Midwest Express Airlines, Inc.  
 Multi Aero, Inc.  
 Northwest AirlinK  
 Redwing Airways, Inc.  
 Renown Aviation, Inc.  
 Trans States Airlines, Inc.  
 Westward Airways, Inc.

Louis Andrews  
 Ken Bannon  
 Doug Franklin  
 E.B. Freeman  
 Douglas Gumula  
 Ben Harrison  
 A. Edward Jenner  
 Keith Kahle  
 William Kostel  
 Lee Mason  
 John McFarlane  
 Robert Wigmore

## WESTERN KANSAS COMMUNITIES



AIR MIDWEST, INC., d/b/a US AIRWAYS EXPRESS  
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT  
DODGE CITY AND GARDEN CITY, KANSAS  
(At 98 percent completion)

Departures		2,147*
Block Hours		1,964*
Revenue passenger-miles		3,330,132*
Available seat-miles		8,019,634*
Operating Revenues:		
Passenger: 10,125 psgrs at \$128.00	\$1,296,000	
Other (at 1.0% of psgr rev)	12,960	
Total Operating Revenues		\$1,308,960
Operating Expenses:		
Direct:		
Pilots (\$98.46/BH)	\$ 193,375	
Fuel & Oil (\$132.47/BH)	260,171	
Hull Insurance (\$13.33/BH)	26,180	
Maintenance (\$258.00/BH)	506,712	
Aircraft Depreciation (\$126.84/BH)	249,114	
Total Direct Expenses		1,235,552
Indirect:		
Traffic-related (\$0.071/RPM)	\$ 236,439	
Departure-related (\$128.69/dpt)	276,297	
Capacity-related (7.53% of all above exp)	131,646	
Promotions	5,000	
Total Indirect Expenses		649,382
Total Operating Expenses		\$1,884,934
Operating Loss		\$ 575,974
Profit Element (5.0% of Total Operating Expenses)		\$ 94,247
Annual Compensation Requirement		\$ 670,221

\* Calculated as follows:

	Departures	Block Hours	Available seat-miles
GCK-DDC	313 x 3 x .98 = 920	920 x 23 min/60 = 353	920 x 19 x 43 = 751,640
DDC-MCI	313 x 3 x .98 = 920	920 x 75 min/60 = 1,150	920 x 19 x 303 = 5,296,440
GCK-MCI	313 x 1 x .98 = 307	307 x 90 min/60 = 461	307 x 19 x 338 = 1,971,554
Total	<u>2,147</u>	<u>1,964</u>	<u>8,019,634</u>
Revenue passenger-miles			
DDC-MCI	4,026 x 303 = 1,219,878		
GCK-MCI	6,099 x 346 = <u>2,110,254</u>		
Total			<u>3,330,132</u>

AIR MIDWEST, INC., d/b/a US AIRWAYS EXPRESS  
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT  
GREAT BEND AND HAYS, KANSAS  
(At 98 percent completion)

Departures		2,147*
Block Hours		1,610*
Revenue passenger-miles		2,496,400*
Available seat-miles		6,224,438*
Operating Revenues:		
Passenger: 9,550 psgrs at \$110.25	\$1,052,888	
Other (at 1.0% of psgr rev)	10,529	
Total Operating Revenues		\$1,063,417
Operating Expenses:		
Direct: Pilots (\$98.46/BH)	\$ 158,521	
Fuel & Oil (\$132.47/BH)	213,277	
Hull Insurance (\$13.33/BH)	21,461	
Maintenance (\$258.00/BH)	415,380	
Aircraft Depreciation (\$126.84/BH)	204,212	
Total Direct Expenses		1,012,951
Indirect: Traffic-related (\$0.071/RPM)	\$ 177,244	
Departure-related (\$128.69/dpt)	276,297	
Capacity-related (7.53% of all above exp)	110,427	
Promotions	5,000	
Total Indirect Expenses		568,968
Total Operating Expenses		\$1,581,919
Operating Loss		\$ 518,502
Profit Element (5.0% of Total Operating Expenses)		\$ 79,096
Annual Compensation Requirement		\$ 597,598

\* Calculated as follows:

	Departures	Block Hours	Available seat-miles
HYS-GBD	313 x 3 x .98 = 920	920 x 22 min/60 = 337	920 x 19 x 41 = 716,680
GBD-MCI	313 x 3 x .98 = 920	920 x 63 min/60 = 966	920 x 19 x 233 = 4,072,840
HYS-MCI	313 x 1 x .98 = 307	307 x 60 min/60 = 307	307 x 19 x 246 = 1,434,918
Total	<u>2,147</u>	<u>1,610</u>	<u>6,224,438</u>
Revenue passenger-miles			
GBD-MCI	2,934 x 233 = 683,622		
HYS-MCI	6,616 x 274 = 1,812,784		
Total	<u>2,496,406</u>		

## APPENDIX C

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GREAT LAKES AVIATION, LTD.  
 ANNUAL COMPENSATION REQUIREMENTS FOR ESSENTIAL AIR SERVICE AT  
 DODGE CITY, GARDEN CITY AND LIBERAL, KANSAS  
 (October 1, 2001, through March 31, 2002)  
 (At 95 percent completion)

Departures		4,856
Block Hours		4,894
Revenue passenger-miles		4,354,054
Available seat-miles		17,698,603
Operating Revenues:		
Passenger: DDC 2,618 psgrs at \$106.00	\$ 277,508	
GCK 8,894 psgrs at \$104.63	930,579	
LBL 4,160 psgrs at \$111.26	462,842	
Other (at 0.62% of psgr rev)	10,360	
Total Operating Revenues		\$1,681,289
Operating Expenses:		
Direct: Flying Operations (\$149.05/BH)	\$ 729,489	
Fuel & Oil (613,777 gal x \$1.0518/gal)	645,542	
Maintenance (\$109.26/dpt)	530,610	
(\$97.28/BH)	476,113	
Aircraft (\$170.00/BH)	832,024	
WRI Hull (\$7.50/dpt)	36,423	
Total Direct Expenses		3,250,202
Indirect: Station costs DDC (\$5,900/mo)	70,800	
GCK (\$10,800/mo)	129,600	
LBL (\$8,200/mo)	98,400	
Denver costs (\$318 x 1,536 turns)	488,448	
Liability (\$0.00790/RPM)	34,397	
WRI liability (\$1.25/psgr)	19,590	
Passenger-related (\$10.25/psgr)	160,638	
G&A (\$0.01710/ASM)	302,646	
Local marketing	15,000	
Total Indirect Expenses		<u>1,319,519</u>
Total Operating Expenses		<u>\$4,569,721</u>
Operating Loss		\$2,888,432
Profit Element (5.0% of Total Operating Expenses)		\$ 228,486
Annual Compensation Requirement		\$3,116,918

GREAT LAKES AVIATION, LTD.  
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT  
HAYS, KANSAS  
(October 1, 2001, through March 31, 2002)  
(At 95 percent completion)

Departures		1,288
Block Hours		1,825
Revenue passenger-miles		1,926,368
Available seat-miles		7,244,837
Operating Revenues:		
Passenger: HYS 6,508 psgrs at \$106.02	\$ 689,978	
Other (at 0.62% of psgr rev)	4,278	
Total Operating Revenues		\$ 694,256
Operating Expenses:		
Direct:		
Flying Operations (\$149.05/BH)	\$ 272,009	
Fuel & Oil (215,820 gal x \$1.0883/gal)	234,882	
Maintenance (\$109.26/dpt)	140,749	
(\$97.28/BH)	177,531	
Aircraft (\$170.00/BH)	310,242	
WRI Hull (\$7.50/dpt)	9,662	
Total Direct Expenses		1,145,073
Indirect:		
Station costs HYS (\$9,300/mo)	111,600	
Denver costs (\$318 x 644 turns)	204,792	
Liability (\$0.00790/RPM)	15,218	
WRI liability (\$1.25/psgr)	8,135	
Passenger-related (\$10.25/psgr)	66,707	
G&A (\$0.01710/ASM)	123,887	
Local marketing	5,000	
Total Indirect Expenses		535,339
Total Operating Expenses		\$1,680,412
Operating Loss		\$ 986,156
Profit Element (5.0% of Total Operating Expenses)		\$ 84,021
Annual Compensation Requirement		\$1,070,177

GREAT LAKES AVIATION, LTD.  
ANNUAL COMPENSATION REQUIREMENTS FOR ESSENTIAL AIR SERVICE AT  
DODGE CITY, GARDEN CITY AND LIBERAL, KANSAS  
(April 1, 2002, through September 30, 2003)  
(At 95 percent completion)

Departures		4,856
Block Hours		4,894
Revenue passenger-miles		6,367,600
Available seat-miles		17,698,603
Operating Revenues:		
Passenger: DDC 4,200 psgrs at \$105.00	\$ 441,000	
GCK 12,000 psgrs at \$104.00	1,248,000	
LBL 6,500 psgrs at \$111.00	721,500	
Other (at 0.62% of psgr rev)	14,945	
Total Operating Revenues		\$2,425,445
Operating Expenses:		
Direct: Flying Operations (\$149.05/BH)	\$ 729,489	
Fuel & Oil (613,777 gal x \$1.0518/gal)	645,542	
Maintenance (\$109.26/dpt)	530,610	
(\$97.28/BH)	476,113	
Aircraft (\$170.00/BH)	832,024	
WRI Hull (\$7.50/dpt)	36,423	
Total Direct Expenses		3,250,202
Indirect: Station costs DDC (\$5,900/mo)	70,800	
GCK (\$10,800/mo)	129,600	
LBL (\$8,200/mo)	98,400	
Denver costs (\$318 x 1,536 turns)	488,448	
Liability (\$0.00790/RPM)	50,304	
WRI liability (\$1.25/psgr)	28,375	
Passenger-related (\$10.25/psgr)	232,675	
G&A (\$0.01710/ASM)	302,646	
Local marketing	15,000	
Total Indirect Expenses		<u>1,416,248</u>
Total Operating Expenses		\$4,666,450
Operating Loss		\$2,241,005
Profit Element (5.0% of Total Operating Expenses)		\$ 233,322
Annual Compensation Requirement		\$2,474,327



GREAT LAKES AVIATION, LTD.  
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT  
HAYS, KANSAS  
(April 1, 2002, through September 30, 2003)  
(At 95 percent completion)

Departures		1,288
Block Hours		1,825
Revenue passenger-miles		2,072,000
Available seat-miles		7,244,837
Operating Revenues:		
Passenger: HYS 7,000 psgrs at \$105.00	\$ 735,000	
Other (at 0.62% of psgr rev)	4,557	
Total Operating Revenues		\$ 739,557
Operating Expenses:		
Direct:		
Flying Operations (\$149.05/BH)	\$ 272,009	
Fuel & Oil (215,820 gal x \$1.0883/gal)	234,882	
Maintenance (\$109.26/dpt)	140,749	
(\$97.28/BH)	177,531	
Aircraft (\$170.00/BH)	310,242	
WRI Hull (\$7.50/dpt)	9,662	
Total Direct Expenses		1,145,073
Indirect:		
Station costs HYS (\$9,300/mo)	111,600	
Denver costs (\$318 x 644 turns)	204,792	
Liability (\$0.00790/RPM)	16,369	
WRI liability (\$1.25/psgr)	8,750	
Passenger-related (\$10.25/psgr)	71,750	
G&A (\$0.01710/ASM)	123,887	
Local marketing	5,000	
Total Indirect Expenses		542,148
Total Operating Expenses		\$1,687,221
Operating Loss		\$ 947,664
Profit Element (5.0% of Total Operating Expenses)		\$ 84,361
Annual Compensation Requirement		\$1,032,025

# HISTORICAL TRAFFIC DATA FOR DODGE CITY, GARDEN CITY, GREAT BEND, HAYS AND LIBERAL, KANSAS

	DENVER		KANSAS CITY		TOTAL	
	ENPL.	AVG.	ENPL.	AVG.	ENPL.	AVG.
DODGE CITY						
2000 1st Qtr	603		429		1,032	
2nd Qtr	690		556		1,246	
3rd Qtr	529		512		1,041	
4th Qtr	628		676		1,304	
2001 1st Qtr	509		412		921	
2nd Qtr	616		572		1,188	
3rd Qtr	393		515		908	
4th Qtr	344		403		747	
YE December 31, 2000	2,450	7.8	2,173	6.9	4,623	14.8
YE December 31, 2001	1,862	5.9	1,902	6.1	3,764	12.0
GARDEN CITY						
2000 1st Qtr	1,541		629		2,170	
2nd Qtr	1,855		740		2,595	
3rd Qtr	1,749		778		2,527	
4th Qtr	2,174		1,145		3,319	
2001 1st Qtr	1,579		651		2,230	
2nd Qtr	1,533		852		2,385	
3rd Qtr	1,324		737		2,061	
4th Qtr	1,111		721		1,832	
YE December 31, 2000	7,319	23.4	3,292	10.5	10,611	33.9
YE December 31, 2001	5,547	17.7	2,961	9.5	8,508	27.2
GREAT BEND						
2000 1st Qtr			318			
2nd Qtr			357			
3rd Qtr			377			
4th Qtr			447			
2001 1st Qtr			242			
2nd Qtr			331			
3rd Qtr			294			
4th Qtr			273			
YE December 31, 2000			1,499	4.8		
YE December 31, 2001			1,140	3.6		

APPENDIX D  
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	<u>DENVER</u>		<u>KANSAS CITY</u>		<u>TOTAL</u>	
	<u>ENPL.</u>	<u>AVG.</u>	<u>ENPL.</u>	<u>AVG.</u>	<u>ENPL.</u>	<u>AVG.</u>
<b>HAYS</b>						
2000 1st Qtr	1,000		745		1,745	
2nd Qtr	1,332		794		2,126	
3rd Qtr	1,176		768		1,944	
4th Qtr	1,541		1,074		2,615	
2001 1st Qtr	1,042		632		1,674	
2nd Qtr	1,256		743		1,999	
3rd Qtr	948		656		1,604	
4th Qtr	854		630		1,484	
YE December 31, 2000	5,049	16.1	3,381	10.8	8,430	26.9
YE December 31, 2001	4,100	13.1	2,661	8.5	6,761	21.6
<b>LIBERAL</b>						
2000 1st Qtr	849					
2nd Qtr	998					
3rd Qtr	868					
4th Qtr	961					
2001 1st Qtr	678					
2nd Qtr	902					
3rd Qtr	648					
4th Qtr	515					
YE December 31, 2000	3,676	11.7				
YE December 31, 2001	2,743	8.8				

SOURCE: From carrier reports. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 weekdays and weekends a year.

AIR MIDWEST, INC., d/b/a US AIRWAYS EXPRESS  
ESSENTIAL AIR SERVICE AT  
DODGE CITY, GARDEN CITY, GREAT BEND AND HAYS, KANSAS

EFFECTIVE PERIOD	October 1, 2001, through September 30, 2003
SERVICE	12 Dodge City-Garden City-Kansas City round trips each week, either nonstop or one-stop 12 Great Bend-Hays-Kansas City round trips each week, either nonstop or one-stop
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	
Dodge City and Garden City	\$273.11 <u>1/</u>
Great Bend and Hays	\$243.52 <u>2/</u>
COMPENSATION CEILING EACH WEEK	
Dodge City and Garden City	\$13,109.28 <u>3/</u>
Great Bend and Hays	\$11,688.96 <u>4/</u>

1/ Annual compensation of \$670,221 divided by 2,454 annual arrivals and departures at a 98 percent completion factor:  
8 dpts x 313 service days x .98 = 2,454.

2/ Annual compensation of \$597,598 divided by 2,454 annual arrivals and departures at a 98 percent completion factor:  
8 dpts x 313 service days x .98 = 2,454.

3/ Subsidy rate per arrival/departure of \$273.11 multiplied by 48 subsidy-eligible arrivals and departures each week.

4/ Subsidy rate per arrival/departure of \$243.52 multiplied by 48 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this agreement, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

GREAT LAKES AVIATION, LTD.  
ESSENTIAL AIR SERVICE AT  
DODGE CITY, GARDEN CITY, HAYS AND LIBERAL, KANSAS

EFFECTIVE PERIOD	October 1, 2001, through September 30, 2003.	
SERVICE	13 Dodge City-Liberal-Denver round trips each week, nonstop or one-stop 5 Liberal-Garden City-Denver round trips each week, nonstop or one-stop 13 Garden City-Denver round trips each week, nonstop 13 Hays-Denver round trips each week, nonstop	
AIRCRAFT TYPE	Beech 1900 (19 seats)	
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation	
SUBSIDY RATE PER ARRIVAL/DEPARTURE	<u>10/1/01-3/31/02</u>	<u>4/1/02-9/30/03</u>
Dodge City, Garden City and Liberal	\$641.87 <u>1/</u>	\$509.54 <u>2/</u>
Hays	\$830.88 <u>3/</u>	\$801.26 <u>4/</u>
COMPENSATION CEILING EACH WEEK	<u>10/1/01-3/31/02</u>	<u>4/1/02-9/30/03</u>
Dodge City, Garden City and Liberal	\$62,903.26 <u>5/</u>	\$49,934.92 <u>6/</u>
Hays	\$21,602.88 <u>7/</u>	\$20,832.76 <u>8/</u>

FOOTNOTES APPEAR ON FOLLOWING PAGE

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plans outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this agreement, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to this agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

1/ Annual compensation of \$3,116,918 divided by 4,856 annual arrivals and departures at a 95 percent completion factor:

Dodge City	4 dpts x 261 weekdays x .95 =	992
	6 dpts x 52 weekends x .95 =	296
Garden City	6 dpts x 313 service days x .95 =	1,784
Liberal	6 dpts x 313 service days x .95 =	<u>1,784</u>
		4,856

2/ Annual compensation of \$2,474,327 divided by 4,856 annual arrivals and departures at a 95 percent completion factor, as calculated in fn. 1 above.

3/ Annual compensation of \$1,070,177 divided by 1,288 annual arrivals and departures at a 95 percent completion factor:

4 dpts x 261 weekdays x .95 =	992
6 dpts x 52 weekends x .95 =	<u>296</u>
	1,288

4/ Annual compensation of \$1,032,025 divided by 1,288 annual arrivals and departures at a 95 percent completion factor, as calculated in fn. 3 above.

5/ Subsidy rate per arrival/departure of \$641.87 multiplied by 98 subsidy-eligible arrivals and departures each week.

6/ Subsidy rate per arrival/departure of \$509.54 multiplied by 98 subsidy-eligible arrivals and departures each week.

7/ Subsidy rate per arrival/departure of \$830.88 multiplied by 26 subsidy-eligible arrivals and departures each week.

8/ Subsidy rate per arrival/departure of \$801.26 multiplied by 26 subsidy-eligible arrivals and departures each week.